

## Israel Imposes Austerity

Peres Cuts Subsidies; Protest Strike Set

By Edward Walsh  
*Washington Post Service*

JERUSALEM — After a 24-hour meeting, the Israeli Cabinet declared a state of economic emergency Monday and imposed a new series of austerity measures. Among the changes were a currency devaluation of 18.8 percent, sharp cuts in government subsidies of basic commodities, and a three-month freeze of wages and prices.

The Histadrut, the national trade union federation, reacted by calling a 24-hour general strike beginning at 6 A.M. Tuesday.

Emerging bleary-eyed from a meeting that began Sunday morning, Prime Minister Shimon Peres said Monday that Israel risked "total collapse" if it did not act to stem its economic and financial decline.

"The cuts on which we have decided are very difficult, the measures we have taken are very harsh," Mr. Peres said on the state-run radio.

"But we didn't have time," he said. "Insofar as I understand the situation in the economy, the decisions were made at the last possible minute."

Yisrael Kesser, the Histadrut secretary-general and a member of the Knesset from the Labor Party of Mr. Peres, said that some of the measures were illegal and that they would mean a one-third reduction in real income for Israeli workers over the next three months.

Cuts in government subsidies for such items as milk, bread, poultry and frozen meat went into effect Monday morning, bringing immediate price increases that ranged from 45 to 75 percent. The price of gasoline rose by 27 percent. The government authorized a 17-percent increase in the price of goods that are not subsidized.

The austerity program includes a \$750-million cut in the government budget, to be achieved through cuts in government activities and social service payments, a 3-percent reduction in public service jobs and higher taxes.

Because of the devaluation of the shekel, the currency's exchange-rate value dropped from 1,262 to \$1 to 1,500 to \$1. Banks were open Monday, but Israeli radio reported many were refusing to handle dollar transactions. The Tel Aviv stock exchange was closed for the second day in a row.

The government voted to provide some compensation to workers for the immediate price rises and subsidy cuts, but there will be no cost of living payments beyond that during the three-month economic emergency. There were predictions that the consumer price index might rise by 25 percent, in July alone because of the price increases.

After the price rises are imple-

(Continued on Page 2, Col. 5)



Robert Brown, of Stow, Massachusetts, shows his joy at being reunited Thursday with his wife, Jill, and daughter, Melissa. They greeted each other at the U.S. base in Wiesbaden.

## Madrid Bomb Kills One, Injures 28; Link Is Seen to Beirut Hostage Release

By Edward Schumacher  
*New York Times Service*

MADRID — One woman was killed and at least 28 persons were injured Monday in attacks on the Madrid offices of British Airways and Alia, Jordan's national airline.

Spanish officials said that the attacks could be connected with the release in Beirut on Sunday of the 39 U.S. hostages who had been passengers on a hijacked Trans World Airlines plane.

A TWA administrative office, marked by a prominent red and white sign, is one floor above the British Airways office.

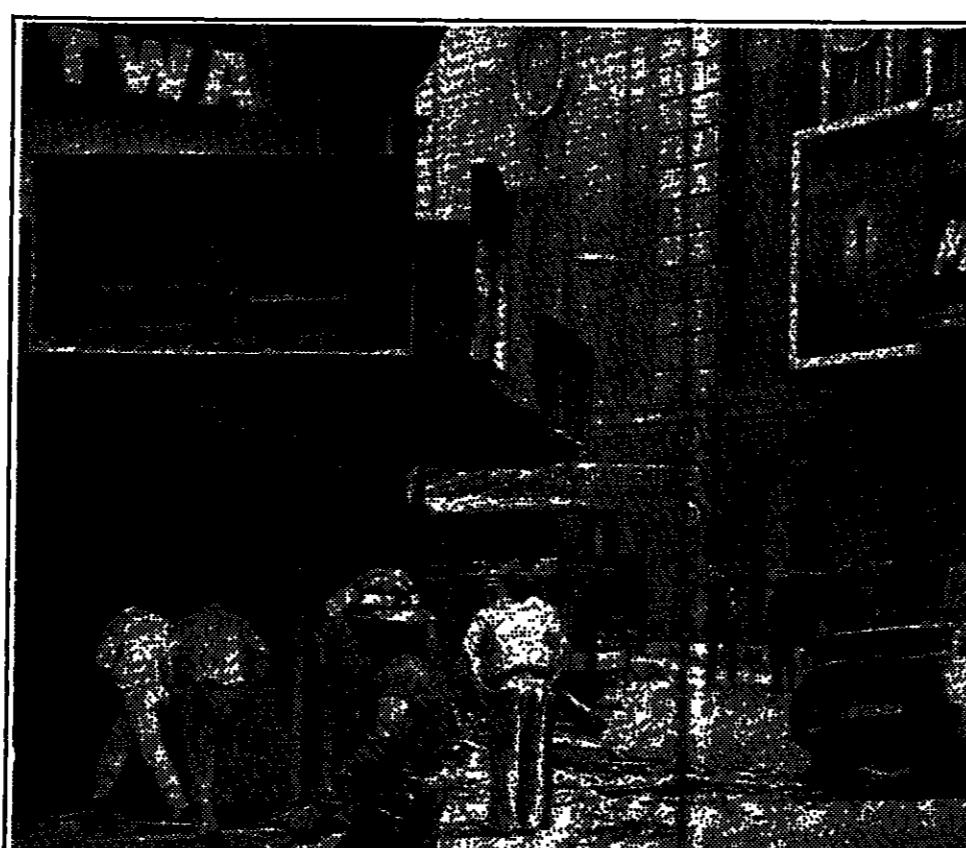
Later, reports from Rome said that a bomb at Fiumicino Airport had injured at least two persons there Monday evening.

[The Associated Press quoted Italian police as saying that the bomb was in luggage due to be loaded on a flight to India. An Air-India Boeing 747 crashed over the Atlantic last week, killing all 329 persons aboard. Investigators into that crash suspect sabotage.]

The dead woman and most of the injured in Madrid were in the main ticket office of British Airways when an explosion ripped out windows and started a fire that badly damaged the TWA office.

The main TWA ticket office, across a narrow side street, was undamaged.

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A bomb at the Madrid offices of Trans World Airlines and British Airways killed one person and injured 28 Monday. Gunmen also fired on the office of Jordan's Alia airline

## U.S. Court Rules Exxon Must Refund \$2 Billion

Compiled by Our Staff From Dispatches

WASHINGTON — A U.S. federal court ruled Monday that Exxon Corp. had overpriced crude oil from a Texas field and ordered the company to pay nearly \$2 billion in refunds and interest on the overcharges.

The Temporary Emergency Court of Appeals, appointed to resolve disputes over federal price controls that existed during the 1970s, ruled that Exxon had overcharged its customers \$895 million between 1975 and 1981 by improperly classifying "old" oil from its Hawkins Field as "new" oil.

A three-judge panel of the court upheld a U.S. district court ruling of March 1983 that the company had "unjustly reaped huge profits" by interpreting the provisions of the Emergency Petroleum Allocation Act to Exxon's advantage.

The refund is the biggest ever awarded under the 1973 law, which set up a two-tier system of federal price controls on domestic oil production when the Arab oil embargo sent international oil prices from \$3 to \$13 a barrel.

The Department of Energy has estimated that Exxon and most of the other U.S. oil companies overcharged consumers by as much as \$10 billion under the law. President Ronald Reagan removed price controls on oil eight days after taking office in 1981.

William D. Smith, a spokesman for Exxon, said the judgment was to be the largest against a single defendant in U.S. history.

When the U.S. district court ruled against Exxon in the case in 1983, it was estimated that Exxon's liability with interest had grown to more than \$1.6 billion. By now it is

estimated that its liability is about \$1.9 billion with interest.

Attorneys for the company, speaking on the condition that they not be identified, said Exxon planned to ask the Supreme Court to order a jury trial in the case.

"Basically, we want our day in court," said one attorney. "This case was conducted with no trial whatsoever. We think it is unsatisfactory for a judge or judges to decide every issue."

Exxon owns about two-thirds of the oil production from the 10,000-acre (4,036-hectare) Hawkins Field near Tyler, Texas. Exxon also may seek in court to share the cost of the judgment with minority partners in the venture, the attorney said.

Those minority partners include other large oil companies such as Texaco, Amoco, Conoco, Socal and Mobil and about 2,000 royalty owners.

The court of appeals, in its decision Monday, rejected Exxon's claim that it complied or made an effort to comply with U.S. oil price controls.

While Exxon did not own all of the production at Hawkins, one of the largest oil fields in the United States, the court found it was responsible for the violation because it was the operator of the field.

The court ruled that the overcharged money plus interest should be paid to the U.S. Treasury to be disposed of to state governments.

The three appeals court justices agreed in finding Exxon liable for the overcharge violations, but one disagreed with the other two on how repayment should be made.

(AP, Reuters)

manov had come under a cloud and that his political future was uncertain. According to one version, which could not be verified, Mr. Romanov had sought to block the election of Mr. Gorbachev, 54, to succeed Konstantin U. Chernenko in March.

When Mr. Chernenko died in March, only Mr. Gorbachev and Mr. Romanov were both Politburo members and secretaries of the Central Committee, a combination of jobs required for anyone aspiring to become general secretary of the party, the No. 1 political position.

The Central Committee, meeting on the eve of a biannual session of the Supreme Soviet, the nominal parliament, elected Eduard A. Shevardnadze, 57, to full Politburo membership.

Mr. Shevardnadze, who formerly held the post of alternate, or non-voting, Politburo member, is the

Communist Party leader of Soviet Georgia. Before taking that job in 1972, Mr. Shevardnadze had served for eight years as Georgian minister of interior and holds the rank of three-star police general.

The Central Committee also elected two new members of the Secretariat, the party's second most influential body. They are Lev N. Zaikov, 61, the Communist Party leader in Leningrad, and Boris N. Yeltsin, 54, the party chief of the Sverdlovsk region, one of the main centers of the Soviet military industry.

The election of Mr. Zaikov and Mr. Yeltsin brings to 10 the number of secretaries. Mr. Gorbachev, as party general secretary, runs both the Secretariat and the Politburo.

Mr. Romanov's removal was likely to be seen throughout the party bureaucracy as an ominous

(Continued on Page 2, Col. 5)

## Romanov Removed From Soviet Posts

By Dusko Doder  
*Washington Post Service*

MOSCOW — Grigori V. Romanov, one of the senior figures in the Soviet leadership and long regarded as a rival to Mikhail S. Gorbachev, the Soviet leader, was removed Monday.

The court of appeals, in its decision Monday, rejected Exxon's claim that it complied or made an effort to comply with U.S. oil price controls.

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The announcement, which was distributed by Tass, the government news agency, said that the Central Committee had acted at Mr. Romanov's request.

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## Israel Expected to Release 300; Freed U.S. Hostages Upbeat

### Bush Says U.S. Is Proud Of Captives

Compiled by Our Staff From Dispatches  
WIENSBADEN, West Germany — The 39 freed American hostages are an "upbeat group" and appear to be in excellent physical and mental condition after their release

Syria apparently played a key role in persuading Nabil Berri to release hostages. Page 2.

from 17 days of captivity, a hospital spokesman said Monday.

"They look extremely healthy both physically and mentally," said Colonel Charles K. Maffet, the commander of the U.S. Air Force hospital in Wiesbaden.

The Americans arrived in the hospital early this morning after they were flown to Frankfurt aboard a U.S. Air Force C-141B from Damascus.

The hostages were released by their Shiite captors Sunday afternoon in Beirut and driven to the Syrian capital, ending captivity that began when TWA Flight 847 was hijacked June 14 as it flew from Athens to Rome.

At the dawn arrival ceremony at Frankfurt's U.S. Rhein-Main Air Base, Vice President George Bush gave a heroes' welcome to the hostages, telling them they endured "this cruel and painful experience with courage."

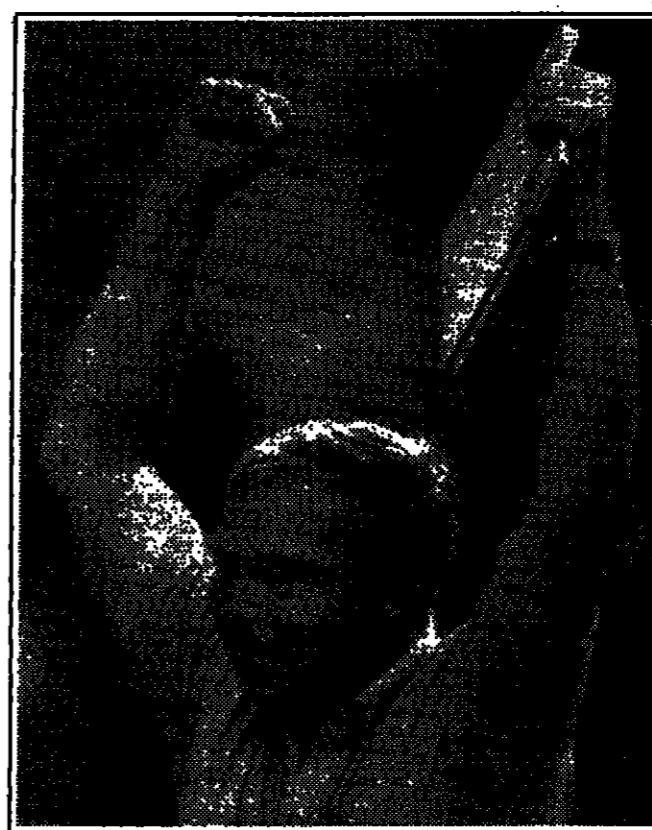
"Through the days of your ordeal, Americans built a special place in their hearts for you, hoping, praying each day for a safe return. You are back and America did not compromise her principles to get you back."

Mr. Bush was joined there by an enthusiastic crowd of about 300 Americans from Frankfurt's large U.S. community, gathered under banners saying "Welcome Home."

"The attacks could be related to the hijacking of the TWA plane in Lebanon," said Joaquin Leguina, president of the Madrid regional government.

"Even though the hijacking crisis has been resolved, we see again that terrorism has neither frontiers nor logic," he said.

(Continued on Page 2, Col. 3)



Peter W. Hill, of Hoffman Estates, Illinois, raised his arms in celebration Monday as he and the other 38 freed hostages arrived at the U.S. military base in Wiesbaden.

### U.S. to Fight Terrorists, Reagan Warns in Speech

By Bernard Weinraub  
*New York Times Service*

WASHINGTON — President Ronald Reagan welcomed the release of the American hostages Sunday but said the United States "will not rest until justice is done," in Beirut as well as El Salvador.

"Terrorists be on notice," Mr. Reagan said in a television speech from the White House. "We will fight back against you in Lebanon and elsewhere. We will fight back against your cowardly attacks on American citizens and tourists."

A ranking administration official, who asked not to be identified, seemed to indicate that the United States had ruled out retaliation against the Lebanese Shiites responsible for the hijacking.

The hijackers seized Trans World Airlines Flight 847 on June 14, taking the hostages and later killing one, a navy diver named Robert Dean Stethem.

It was not clear from Mr. Reagan's strong words about hijackers and terrorists who was being limited at the possibility that the United States would retaliate militarily for the Beirut hostage crisis.

Secretary of State George P. Shultz appeared in the White House briefing room shortly after Mr. Reagan spoke and emphasized what he said was the government's determination to respond to terrorism.

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Four Frenchmen, two of them diplomats, are also being held.

Mr. Reagan said: "We call upon those who helped secure the release

(Continued on Page 2, Col. 1)

### Radio Says Release Was Set Earlier

The Associated Press

JERUSALEM — The Israeli Cabinet decided Monday to release 300 Lebanese prisoners within 48 hours, Israel radio said.

The reported move came one day after the release of 39 Americans held hostage for 17 days by gunmen demanding freedom for 735 Lebanese, mostly Shiite Moslems, being held in Israel.

A release of 300 prisoners had been approved before the June 14 hijacking of the Trans World Airlines jet had been scheduled for July 5, the radio said.

The cabinet ministers decided to release the prisoners "in the shortest possible time," that is, "in the next day or two," Israel Radio said.

Defense Minister Yitzhak Rabin, asked if a decision had been made during the one-hour cabinet session, said "of course" but declined to elaborate. A cabinet spokesman, Yossi Beilin, and all other ministers refused to comment on the meeting.

Prime Minister Shimon Peres praised President Ronald Reagan's response to the holding of the Americans and said Monday that he was happy that the 39 hostages have been delivered safely from the "uncertain land of Lebanon."

The Jerusalem Post, quoting an unidentified source, said that about 300 Lebanese prisoners would be released soon from the Adif Prison in northern Israel and that the rest probably would be freed within 10 to 14 days.

Israeli officials denied that any deal had been struck with the United States connecting the release of the American hostages and the Lebanese prisoners.

While the hostages were being held, Israeli officials complained of quiet pressure from the United States to release the Lebanese prisoners and expressed concern about U.S. opinion polls that showed an erosion of support for Israel.

Asked if he thought Israel would free the Lebanese now that the American hostages have been released, Education Minister Yitzhak Navon said, "I suppose so."

On Monday, Mr. Peres landed the Reagan administration, saying: "We admire the way the American administration and the American president handled this very, very complicated matter."

Another official, who declined to be identified, said that the Israeli government was disappointed that Syria had achieved "public relations victory" for its role in ending the crisis.

"It is very unfortunate," the official said, "that right now Syria is being portrayed as a power that cut short this ordeal, when certainly Syria could have stopped it to begin with, or at least have cut it shorter."

### Good Shiites' Arrived After Killing

#### Early Brutality Gave Way to Controlled Calm Under Amal

By Kathy Sawyer  
*Washington Post Service*

WASHINGTON — The fate of the passengers aboard TWA Flight 847 turned in the instant when a hijacker pressed a pistol to the temple of Robert Dean Stethem, a young navy diver, and shot him dead. It was an act that the others on board say persuaded the reclusive Amal militia, the "good Shiites," to get involved.

This and other details of the 17-day ordeal came from hostages freed Sunday and from others released earlier who had withheld details for fear of reprisals against the remaining captives.

## Assad Role, U.S. Threats Cited in Hostage Release In a Diplomatic Ballet, Amal Leader Finally Yielded to Mounting Pressure

By Don Oberdorfer

Washington Post Service

WASHINGTON — The critical moment in the diplomatic ballet that ended Sunday in freedom for 39 American hostages occurred sometime late last Tuesday or early Wednesday, when the Shiite Moslem leader Nahib Berri changed his mind.

Up to then, Mr. Berri seemed disinclined to accept any formula for ending the hijacking that did not include the prior release of more than 700 Lebanese, most of

## NEWS ANALYSIS

them Shiites. But, Wednesday morning in Beirut, according to U.S. and foreign sources, Mr. Berri suddenly was much more flexible.

A White House official involved in the talks credited the breakthrough to a variety of pressures on Mr. Berri, including the threats Tuesday from President Ronald Reagan to close down Beirut airport and take other reprisals.

Other sources emphasized the role of President Hafez al-Assad of Syria. American officials believe Mr. Assad secretly summoned Mr. Berri to Damascus last Tuesday and strongly encouraged him to find a way out.

The diplomacy that finally won freedom for the U.S. hostages involved U.S. contacts with traditional foes such as Iran and the Soviet Union as well as friends such as Israel, Algeria, Saudi Arabia, France and Switzerland.

In the end, the key player was Syria, which is seen most often as a foe by the Reagan administration.

Mr. Assad, who two years ago played a crucial role in forcing the United States out of Lebanon, used his considerable power there to help the United States. And he discovered a common interest with the United States and even with Israel — to prop up Mr. Berri, leader of the moderate Amal militia, against more radical Shiites backed by Iran.

When the release of the Americans was unexpectedly jeopardized Saturday by the refusal of Hezbollah, a radical Shiite faction, to accept the agreement worked out by Mr. Assad and Mr. Berri, Mr. Assad reportedly sent his chief of intelligence for Lebanon, Colonel Ghazi Kanaan, to Hezbollah leaders for some blunt persuasion.

Damascus also suggested a public statement from Washington vaguely disavowing any U.S. interest in destabilizing Lebanon, that made acceptance of the arrangement more palatable to Hezbollah.

U.S. diplomacy first centered on Algeria. The White House made fervent pleas to Algiers that the

TWA jet be allowed to land in Algiers and denied permission to take off again. The Algerians did allow the plane to land twice, but each time permitted it to depart at the hijackers' demand.

The Reagan administration considered using force to keep the plane in Algiers, but ruled out such action as posing a serious threat to relations with Algeria.

By June 16, when the jet landed for the final time at Beirut airport, both the Amal and Hezbollah factions had armed men on board. An explicit deal was made between the groups, according to U.S. officials, that Mr. Berri would take control of the situation and that hostages would not be harmed, but that the Americans would not be released without obtaining freedom for the Shiites and other Lebanese held by Israel.

Mr. Reagan first discussed the situation with his national security advisers that Sunday. Perhaps the key decision made then was that the United States would not arrange any deal to swap Israel's prisoners for the American hostages.

Secretary of State George P. Shultz insisted that giving in to terrorist demands would leave other Americans vulnerable.

The administration faced a difficult task. Mr. Berri and the original hijackers had to be convinced that their demand for prior release of the Lebanese prisoners could not be met.

At the same time, the administration did not discourage the possibility that when the Americans were freed, the Lebanese could be released by Israel. But the link to protect the U.S. position on concessions, could not be explicit.

"Assad came to understand the U.S. position on this point," said a diplomat. Mr. Assad also "understood," the diplomat said, that the United States would press for early release of the Shiite prisoners.

The discussions with Israel were delicate and at times difficult.

Washington wanted Israel to be ready to release the Shiite prisoners, as Israeli authorities had promised they would. And despite its public stance on linkage, the administration permitted, and even encouraged, the buildup of public pressure for Israel to make the release once the hostages were freed.

In the end, neither Mr. Assad nor the Israelis seemed prepared to let Mr. Berri, whom they regard as an important ally, fall on his face.

Mr. Assad offered Mr. Berri a way out: He would give assurances that the Israelis would release their prisoners; and he had the power to enforce a compromise on Mr. Berri's Hezbollah rivals. It became an offer Mr. Berri could not refuse.

At least 62 relatives were believed to be staying with the former hostages inside the hospital.

Colonel Maffet said the first request of the former hostages was to call home on the special telephone set up in the facility.

"Our goal is to get a thorough medical evaluation completed within the next 24 hours," he said.

Government debriefers were also on hand, Colonel Maffet said, adding that the hospital provided rooms for "officials from the U.S. to meet with the 39."

Colonel Maffet said the group appeared not to have the "same mental and physical problems displayed by the people held in Iran," referring to the hostages kept for 444 days after the seizure of the U.S. Embassy in Tehran in 1979.

The pilot of the plane that flew the former captives out of Damascus said they departed so quickly that they left more than half their luggage behind because of concern that Lebanese militiamen might menace the plane.

He said the purpose "has to be not to conduct a random act of vengeance but instead to focus our power on dealing with the root sources of terrorism. Where people are trained, where they are housed, fed, sustained over time."

Just before his speech, Mr. Reagan placed a telephone call to the C-141 carrying the former hostages, a White House official said, and asked the crew to tell the passengers of his concern for them.

Mr. Shultz, discussing American efforts to combat terrorism, said that 15 percent of the hijackings outside the United States in the last 15 years had either originated, ended or gone through the Beirut airport.

"The Beirut airport has become a kind of safe haven for terrorism," he said, and the world community should consider not using it.

**■ Iranian Connection Seen**

Mr. Shultz said Monday that Iran "clearly had connections with the people" who hijacked Flight 847, and that he believed President Hafez al-Assad of Syria was working to free the remaining hos-

tales in Lebanon, United Press International reported from Washington.

Mr. Shultz said that U.S. relations with Israel were "stronger than ever" following the hostage incident, and suggested that U.S. relations with Syria had improved.

In another TV interview, Robert C. McFarlane, national security adviser to Mr. Reagan, said there were "two or three strategic locations in the Middle East" that might be targets of U.S. action. The Associated Press reported from Washington. He did not pinpoint any sites.

He said the purpose "has to be not to conduct a random act of vengeance but instead to focus our power on dealing with the root sources of terrorism. Where people are trained, where they are housed, fed, sustained over time."

**■ Hijackers' Brutality Subsided When Amal Took Control, Passengers Say**

(Continued from Page 1)

women were in aisle seats and families were separated.

The hijackers forced open the cockpit door, then one of them hit Benjamin C. Zinnermann, the flight engineer, with a gun but. One hijacker pulled the pin on a hand grenade, Miss Derickson said.

The hijackers cleared the first-class section for use as a command post, herding the dozen first-class passengers back to the coach section. They ordered people to put their hands on their heads and bend forward.

"Down! Down! Down!" they yelled, slapping passengers on the head as they passed. They told passengers not to talk and hit or shout at those who did.

Passengers were shuffled around "like a game of musical chairs," Mr. Delgado said, so that only

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## A Europe-Wide Market?

The European Community's founding fathers, with a slightly Marxist interpretation of future history, maintained that it was through economic linkage that political unity would be approached, not vice versa. Of the two main economic proposals discussed at the summit in Milan, one is peripheral but the other central to Europe's future.

Can Europe keep up with America and Japan in high technology like communications and data processing, while the Third World moves forward in the traditional industries? Allegedly it cannot unless individual countries and firms join in cooperative research and development. Hence the suggestion of the Community to encourage joint research in selected high-tech areas, with the taxpayer helping to foot the bill.

The theory is that research and development is so costly — and the lead time before profits accrue is so long — that Europe's small and dispersed high-tech firms will fall behind unless they are linked from on high.

Remembering Concorde, the beautiful but uneconomical white elephant, one can be suspicious of marriages arranged in heaven. Are governments likely to make better expenditures than the market?

More fundamentally, why is Europe falling behind? Not for lack of research: It spends about as much on high-tech research as America, and the quality is excellent. The problem lies more in the practical application of results — the readiness of firms to risk money afterward. American and Japanese firms take the risks because their home markets are big enough to offer substantial

profits to the successful, enabling them subsequently to launch vigorous export drives.

Potentially, Europe has a large home market, too — scarcely smaller than America's and bigger than Japan's — but it is fragmented between individual nation states. It does not tempt firms to embark on capital expenditures in industries that could only be profitable on a continental scale. Trade across the continent is thwarted by a range of barriers. Where high tech is concerned, a main barrier is the insidious nationalism that governments pursue in their own purchasing policies. For in these industries the major consumer is either the government or a group of purchasers over whom governments have easy control, and the state usually ensures that purchases are made from firms within their own borders. So long as this persists, Europe's producers will be working within limited horizons, and limiting their ambitions accordingly.

Innovation depends on the general economic climate rather than on governmental gimmicks. That is why the second proposal considered at Milan last week is so important. If Europe could achieve real freedom for the movement of goods and services, one would no longer have to think up suspect intergovernmental schemes to encourage firms to innovate. It would happen automatically. The proposals of the EC Commission to make Europe a trading reality by 1992 constituted the most promising initiative at the summit. Five hundred years after Columbus sailed the Atlantic is none too soon.

INTERNATIONAL HERALD TRIBUNE

## Elegant Lies, Harsh Truths

It took some elegant lies for Ronald Reagan, Nabih Berri, Shimon Peres and Hafez al-Assad to arrange the release of the 39 hijacked Americans from Beirut, but admiration for the four leaders' agility should not obscure the harsh truths that linger.

The leaders produced an agreement that Mr. Berri will hold up to Shiites as a prisoner exchange. They extracted the hostages in a way that President Reagan can forever call unconditional. They guaranteed Israel's release of its Lebanese prisoners in a way that Prime Minister Peres can call strictly voluntary. By reciting all these promissory notes, President Assad emerges as the main winner, with new recognition of his dominance over Lebanon.

This path out of the immediate crisis was pretty well marked from the moment Mr. Berri's Amal militia took charge of the hijacked plane. But, no matter how predictable the end game was skillfully played by the principals. Leaning flexibly left while feigning rigidity to the right, all managed to appease conflicting impulses and constituencies.

Mr. Berri had to produce a ransom for release of the TWA crew and passengers, but he contrived to give up the first coin. President Reagan foresaw "negotiation with terrorists" but he went quite a way toward meeting their terms. Prime Minister Peres vowed to yield his prisoners only if the United States openly requested it, but he was willing to respond to fairly obvious sign language. In the process, the leaders reaffirmed an old lesson: Generalities about rights and wrongs can define a conflict, but only the particulars of a situation

can resolve it. Lacking a military option, the United States had to rely on diplomacy, and in this case, double-talk was liberating.

But the drama of sentimental reunions should not obscure some painful truths.

One American passenger on the TWA plane was savagely murdered and his killers remain at large in Beirut. Seven Americans kidnapped from the streets of Beirut in the last 15 months remain the prisoners of shadowy groups in Lebanon. And all Lebanon lives in chaos.

The kidnapped Americans have been held for weeks and months by groups that seem to be beyond the easy reach of either Mr. Berri or Mr. Assad. They seek a ransom that America cannot and should not pay: the release of 17 Shiites who bombed the U.S. and French embassies in Kuwait last year. The path home for these Americans is by no means clear.

Meanwhile, four hijackers who killed two Americans aboard a Kuwaiti airliner in Tehran last December enjoy the protection of Iran. The mystery of a fatal bomb carried to Tokyo aboard a Canadian plane on June 23 has not been solved. Neither has the mysterious explosion that killed 329 people aboard an Air India flight to Europe. America's fitful efforts to punish Iran for protecting serial murderers seem to have been frustrated by other governments, who refuse to consider any effective boycott. Such indifference anywhere puts air travelers at risk everywhere.

The crisis, in short, is by no means ended. The hardest policy decisions lie ahead. Some things simply cannot be double-talked away.

— THE NEW YORK TIMES.

## Other Opinion

### Europe Has No Time to Lose

The establishment of organic democratic relations among six European countries (the number has since doubled) had no historical precedent and remains unique. But the proof of motion is movement. Either Europe will become what it aspired to be at the start — that is, a genuine common market to support political and economic strength that can match the superpowers — or it will have to settle, while it awaits its inevitable disruption, for being a mere agent (as in the case of steel or farm prices) for sharing out the repercussions of its decline as a world power.

All the experience of these past few years shows that time lost on the international scene cannot be regained. Only by acting together can the countries of Europe escape decline. Eureka is a good thing, but not good enough. The "qualitative jump" that we hear so much about must come quickly.

— André Fontaine in *Le Monde* (Paris).

The summit in Milan has ended in the worst possible way. Its task was to work out ways of

easing and speeding decision-making in the future by emphasizing or expanding the role of majority voting and by reducing or restraining the right of national veto. Instead it wound up as a contest of wills, with nothing decided and with the Six and Ireland lined up against Britain, Greece and Denmark.

— The Financial Times (London).

### Air Terrorism Can Be Curbed

The major countries of the world have a remedy available if they are serious about preventing to prevent air terrorism. They can agree to order their airlines to boycott any airport where security measures are not strictly carried out. For this to work will require an unprecedented degree of cooperation. That cooperation is by no means assured. There is big money involved in air transportation, and some countries and some airlines would probably prefer to risk planes, crews and passengers rather than jeopardize revenue. But notice has again been served: Air terrorism exists

— and the world economy will continue to jog along in the same irrational way as before.

### FROM OUR JULY 2 PAGES, 75 AND 50 YEARS AGO

#### 1910: New Small Farms Get Backing

ST. LOUIS — That Mrs. Russell Sage, widow of the financier, has signified her intention of financially aiding the National Farm Homes Association, organized in St. Louis some two months ago for making the acquisition of small farms a possibility to men of limited means, was the statement credited [on June 20] to Mr. John H. Curran, State Immigration Commissioner. The National Farm Homes Association is organized to provide worthy men with forty-acre farms, to be sold on easy terms. These farms will be grouped around an occasional large one of 160 acres, operated by agricultural experts, whose instruction and advice will be at the service of the settlers. In this way it is planned to interest city people of small means who would be glad to make the change, but who know nothing of farming.

#### 1935: Same Old Economic Advice

PARIS — The remedies for the depression, as embodied in the resolutions adopted by the International Chamber of Commerce, are as obvious as the evil itself. They have been proposed over and over again during the last ten years. Exchange stabilization, balancing of budgets, cutting of public expenditure, debt settlement and removal of trade restrictions are some of these remedies, whose efficacy no one doubts. By including them once more in its final resolution [on June 30], the International Chamber of Commerce set the seal of considered expert opinion upon a number of ideas. Previous experience, however, has shown that governments are not likely to respond with positive action to the resolutions of the Paris congress. The world economy will continue to jog along in the same irrational way as before.

INTERNATIONAL HERALD TRIBUNE  
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EDITH BALLANTYNE  
Geneva

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## India, in New Approach, Urging Both Sri Lanka, Tamils to Compromise

By Stuart Auerbach

Washington Post Service

COLOMBO, Sri Lanka — India is making a three-pronged effort to end the ethnic dispute that has brought this island nation to the brink of civil war.

It is pushing President Junius R. Jayawardene to be more conciliatory toward the Tamil minority's demands for more regional autonomy in areas where they live, urging Sri Lankan opposition politicians to support government moves and clamping down on Tamil separatist fighters and the more moderate Tamil leaders who have taken sanctuary in the southern Indian city of Madras.

At the same time, New Delhi reassured the Jayawardene government that it opposed the separatists' aims of setting up a Tamil state, Eelam, in Sri Lanka's northern and eastern provinces. It also said it would not go along with proposals to have those two provinces joined as one, which would give the Tamils greater control over them.

New Delhi is now bringing all sides together in Thimpu, the capital of the Himalayan kingdom of Bhutan, for a week of peace talks early this month aimed at ending the yearlong pattern of Tamil attacks and government reprisals that has turned this island into a battleground.

This India is playing a major role in trying to settle the long-standing and increasingly bloody differences between the Buddhist Sinhalese, who form the vast majority of Sri Lanka, and the largely Hindu Tamils, with their close ties to the Tamil community in the southern Indian state of Tamil Nadu.

This new approach reflects the changed policies of Prime Minister Rajiv Gandhi toward India's smaller, less powerful South Asian neighbors and stands in stark contrast to the position of his mother, the assassinated prime minister, Indira Gandhi.

Mrs. Gandhi's government had supported Tamil proposals for a larger role in the Sri Lankan government and had objected to stringent security measures imposed by the government after riots in August 1983 that killed 300 people. Sri Lankan officials also had alleged that Mrs. Gandhi's government had tolerated camps in southern India that trained Sri Lankan guerrillas.

The Sri Lankan minister of national security, Lalith Athulathmudali, called Mr. Gandhi's opposition to a Tamil state "the most positive statement any Indian prime minister has made."

"It is a clear recognition that Eelam is not in India's national interest. So the Eelam movement must negotiate," he continued.

The new message from India was

not lost on people in Jaffna, the almost completely Tamil city on the northern Sri Lankan peninsula where the separatist movement has drawn its greatest support.

"Now the government is happy because Rajiv Gandhi has openly come out that he is not in favor of Eelam. Without the support of India, the militants cannot do anything," said the Most Reverend E. Deogammanai, the Catholic bishop of Jaffna who is considered by the government here as a strong supporter of the militant fighters.

But the highly visible Indian role in trying to solve Sri Lanka's ethnic differences carries great risk to Mr. Gandhi, who faces a possible backlash in four southern Indian states that have close ties with Tamils here and are ruled by regional parties not under his control.

"Rajiv Gandhi has gone way out on a limb," said a well-informed Asian diplomat here.

It took more than five months for Mr. Jayawardene, 78, to accept the Gandhi government's offer to help bridge the widening gap between the Tamils and Sinhalese.

Mr. Jayawardene's meeting early last month in New Delhi with Mr. Gandhi, 40, was the turning point.

Mr. Jayawardene, who was suspicious of Indira Gandhi, has developed a trust in Mr. Gandhi, who gave him specific assurances that led to the declaration of a cease-fire two weeks later.

The massacre by Tamil fighters on May 14 that left nearly 150 Sinhalese civilians dead in the north central town of Anuradhapura, one of the most revered Buddhist shrines in Sri Lanka, also apparently played a part in making the government accept the Indian offer for talks.

This was the first time the Tamils had moved out of territory they considered friendly to kill Sinhalese civilians. According to diplomats here, their action left both the government and the Buddhists monks shaken.

Now, for the most part, the killing has stopped as the cease-fire has largely been honored by the government and the Tamils.

The opposition Sri Lanka Freedom Party, headed by Amara Bandaranaike, opposes a settlement and accuses the government of selling out Sinhalese interests. But that party, which had been headed by Mr. Bandaranaike's mother, Sirimavo Bandaranaike, a former prime minister, long maintained close ties to India. The two leaders are expected soon in New Delhi to complete its report by Saturday.

Mr. Collignon, a member of the opposition Socialist Party, said it was "too easy" for Mr. Nothomb to divert blame for security failures onto the Brussels City Council, which owns the stadium.

He said that a security unit within Mr. Nothomb's ministry was "more formal than real," and that there was evidence of serious defects in the gendarmerie's planning.

The committee heard evidence of communications delays and a failure to police the narrow corridor separating terraces in the stadium.

In Madrid, about 40 persons were injured Sunday during clashes between police and Basque football fans after Athletic Bilbao lost the Spanish Cup Final to Atlético Madrid, Red Cross officials said.

## Man Held in IRA Blast, 6 Others Appear in Court

Reuters

LONDON — Police marksmen guarded a London courthouse on Monday and a police helicopter hovered overhead for the first appearance of a Belfast man accused of planting a bomb that killed five persons but narrowly missed Prime Minister Margaret Thatcher and members of her cabinet.

Patrick Joseph Magee, 34, who is charged with placing the time bomb that ripped through the Grand Hotel in Brighton last Oct. 12, arrived in court wearing only a pair of shorts under a rough brown blanket slung poncho-style around his neck.

Two other men, Gerald Patrick Michael McDonnell, 34, and Peter John Joseph Sherry, 31, charged with conspiring to cause explosions this year, were similarly dressed. No pleas were taken and all three men, as well as four other persons, were remanded in custody until Thursday.

Police with dogs searched everyone entering the courthouse. The accused smiled and waved at three relatives in the public gallery. As he was led away, Mr. Magee gave a clenched-fist wave.

All told, seven persons appeared in court. Marjorie Elizabeth Anderson, 23; Ella O'Dwyer, 26, and Deidre Doonie Craig, 27, faced the same charges as Mr. McDonnell and Mr. Sherry.

A third woman, Cecilia Lowney, 21, was charged with withholding information about an act of terrorism in Northern Ireland.

### DEATH NOTICE

Mrs. Marc Gosselin, his wife, and his family, regret to announce the death of Douglas GOSSELIN, actor, painter, in Dieppe, on June 26, 1985. Burial at Granville, 21150 Les Larmes.

## Bokassa Loses His Autobiography to Court-Ordered Flames

By Richard Bernstein

New York Times Service

PARIS — Jean-Bedel Bokassa, the former leader of the Central African Republic who proclaimed himself Emperor Bokassa I, looked on last week as more than 8,000 copies of his newly published autobiography were burned in three garbage bins.

The action resulted from a court ruling last month that Mr. Bokassa's book contained passages that defamed former President Valéry Giscard d'Estaing of France. The libel case was brought by Mr. Giscard d'Estaing in a Paris court.

Mr. Bokassa, who ruled the Central African Republic for 13 years before he was deposed, said last week of Mr. Giscard d'Estaing, "I am declaring war on him."

"The destruction of this book is the political destruction of Giscard d'Estaing," Mr. Bokassa told *Agence France-Presse*.

"For 12 years we were friends," Mr. Bokassa said. "I welcomed him to my home. I gave him diamonds. He has cheated me, chased me from my country."

Mr. Bokassa was at the center of a furor in French politics several years ago when it was disclosed



Jean-Bedel Bokassa

The destruction of this book is the political destruction of Giscard d'Estaing.

— Jean-Bedel Bokassa  
Former emperor of the Central African Empire



Valéry Giscard d'Estaing

overthrown in a coup backed by France. He is reported to spend most of his time at a chateau outside Paris, but he has said that he wants to return to his country.

Mr. Bokassa, wearing a three-piece beige suit and a large piece of diamond-encrusted gold jewelry suspended from a chain, was driven in a Mercedes-Benz limousine on Thursday to a book warehouse alongside the railroad tracks near the Austerlitz station in Paris.

There, seated on a dusty chair, he watched as a court officer consigned the copies of his autobiography, titled "My Truth," to the flames.

In its decision, the court found that 18 pages of Mr. Bokassa's book contained "inadmissible violations of privacy and extremely serious offenses against the character of the former president of the French Republic."

Mr. Giscard d'Estaing asserted that the book was a "shameful calumny" and that it "contained hateful and grotesque statements of clear falsehood."

Mr. Bokassa, 64, was a figure of controversy in his years in power. In 1976, he declared his country an empire and had himself invested as emperor in an elaborate ceremony patterned after Napoleon's coronation. Its cost was estimated to have been from \$22 million to \$30 million.

He was accused of numerous abuses of human rights, including the execution of political opponents. A few months before he was deposed, he was said to have taken part in a prison massacre of 100 schoolchildren who had complained about their school uniforms. There also were reports that he organized and joined in cannibalistic rites.

After he was overthrown, the country was declared a republic again, and Mr. Bokassa was sentenced to death in absentia.

He told *Agence France-Presse* last week, "I want only one thing, to return to my country. I am the emperor for life of Central Africa. My people are waiting for me. He has not heard the last of me, Giscard."

## Riot Police In Belgium Are Criticized

Reuters

BRUSSELS — The chairman of a Belgian parliamentary inquiry into the European Cup soccer final disaster in which 38 persons died criticized Interior Minister Charles-Ferdinand Nothomb and police Monday for poor security planning.

In an interview on Belgian state radio, Robert Collignon recommended that Mr. Nothomb correct what he called serious deficiencies in the paramilitary gendarmerie responsible for the section of the Heyel stadium where the disaster occurred.

Mr. Collignon's committee, which held two weeks of public hearings on the events that led to the fatal crowd crush on May 29, is to complete its report by Saturday.

Mr. Collignon, a member of the opposition Socialist Party, said it was "too easy" for Mr. Nothomb to divert blame for security failures onto the Brussels City Council, which owns the stadium.

He said that a security unit within Mr. Nothomb's ministry was "more formal than real," and that there was evidence of serious defects in the gendarmerie's planning.

The committee heard evidence of communications delays and a failure to police the narrow corridor separating terraces in the stadium.

In Madrid, about 40 persons were injured Sunday during clashes between police and Basque football fans after Athletic Bilbao lost the Spanish Cup Final to Atlético Madrid, Red Cross officials said.

## Amid Bombings, Corsicans Say They Will Drop Violence

Compiled by Our Staff From Dispatches

MARSEILLES — Hooded members of the outlawed Corsican National Liberation Front announced Monday that the organization, seeking to end French rule in Corsica, was suspending "military activities."

As they spoke, 41 explosions rocked the Mediterranean island. Four front members, giving a 3 A.M. news conference in an underground garage next to the main Marseilles courthouse, said the bombings, which caused no injuries, were intended as a reminder of the group's military potential.

The authorities said 19 bombs went off in the southern part of the island and 22 more in the north.

In the Corsican capital, Ajaccio, bombs damaged French banks and an office of Air France. Bombs elsewhere hit police stations and a tax office.

The front has carried out hundreds of bombings over the last decade in its effort to end two centuries of French rule. Most have been aimed at French property and public buildings.

Although the campaign has damaged property, there have been few casualties.

French press commentators suggested that one reason for the suspension was to avoid damaging tourism this summer. Tourism is one of the island's main sources of income, but it has declined since the violence started.

The four front members made it clear that they would be prepared to resume violent action if political methods did not succeed.

"We have the strength and the organizational capacity necessary to enforce this suspension," one said, reading from a prepared text.

"But we shall make use of the same strength and organizational capacity if the authorities persist in

their policy of negation of our national interests," he added.

The statement said without elaboration that the decision to suspend "military actions" was made because "the evolution of the political situation in Corsica leads once again to the need to take a political initiative."

"The powers that be must, from today, before it is too late, put in practice in Corsica the principles which it pretends to defend around the world," the text said. "We are, for our part, disposed to prove our will to reach a political solution. It is up to those powers not to waste this last chance."

The text mentioned a trial scheduled to begin July 16 in Lyon of three front members accused of killing two men in Ajaccio June 7, 1984. In answer to a question about a possible negative verdict, the spokesman repeated that the separatists reserved rights of retaliation.

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## FUTURES AND OPTIONS

## Surpluses, Structural Change Slow Commodities Trading

By H.J. MAIDENBERG

New York Times Service

**N**EW YORK — Hedgers and speculators continued to abandon the futures markets in farm and industrial commodities in the first half of 1985. Not only did mounting surpluses of all basic raw materials discourage trading, but so did the growing realization that a fundamental structural change, rather than a cyclical one, was under way in the traditional commodities markets.

Examples of the structural changes are the huge increases in farm output in China and India, which were until recently major importers of food, as well as similar increases in base metals and tropical products — coffee, sugar and cocoa — by the dollar-starved poorer countries.

This development was reflected in the futures price index of the Commodity Research Bureau. The index of 27 key farm and industrial commodities dropped to 226.6 last Friday from 244.5 at the start of the year. Using 1967 futures prices as a base of 100, the index fell 7.3 percent in the first half.

"The surpluses tend to feed on themselves," said David T. Johnston, senior vice president and a director of E.F. Hutton & Co. "As the surpluses depress prices, producers try to compensate by increasing production, without regard for the economic consequences."

World sugar is a prime example. Its price on the free market plunged to 2.35 cents a pound last Friday, from 3.19 cents at the start of 1983. The price is at least 5 cents below the cost of production in even the poorest country.

**B**UT while commodity surpluses rise, the futures markets are benefiting from increasing concern over the value of the dollar. Mr. Johnston noted. This is why the volume in Treasury bond futures last month, 3.3 million, exceeded the total turnover in soybeans (553,000), corn (469,000), wheat (124,000) and cotton (58,000), which are the four most important crops in the United States.

Martin E. Abel, president of Abel, Daft & Early, Washington-based farm commodity consultants, observed:

"The structural change in the global food pattern began with the end of our postwar giveaway programs and the massive Soviet grain purchases in 1972. The fears then of world food shortages and subsequent flood of petrodollars into the Third World stimulated output of all commodities. Ironically, now that these recycled petrodollars have largely been drained by the heavily indebted Third World, producers there must produce even more to stay solvent."

Politics has also played a key role in stimulating output, said Sherman L. Levin, a Chicago-based consultant to agribusinesses citing the heavily subsidized domestic and European agricultural industries. He added: "But I think we are finally coming to the end of counterproductive domestic subsidy programs because everyone on the farm and in Congress now realizes that the global food market is being restructured and temporary handouts are no longer the answer."

Indeed, the new farm bill being discussed in Congress would require farmers who plant their crops with the U.S. government to pay back these loans in cash. This would eliminate the old practice of defaulting on such loans when prices were low.

"This practice hasn't worked because the overproduction it encouraged only depressed farm prices further," Mr. Levin noted, "which meant that both the farmer and the government lost money."

David R. Armstrong, livestock futures analyst at Drexel Burnham (Continued on Page 13, Col. 5)

Developing countries, starved for dollars, have stepped up farm, base metal output.

## Building Increases In U.S.

## Rate for May \$343 Billion

Compiled by Our Staff From Dispatchers

**WASHINGTON** — Spending on construction in the United States increased by \$5.2 billion, or 1.5 percent, in May to a seasonally adjusted annual rate of \$343.5 billion, the Commerce Department said Monday.

The May rate, which was the highest this year, was 8.8 percent or \$27.8 billion above May 1984, when the rate was \$315.7 billion.

In April, spending rose \$4.6 billion, or 1.4 percent, to \$338.3 billion, which was up from an earlier estimate of a 1-percent rise in April.

The department said construction spending expressed in 1977 dollars to remove the effects of inflation rose \$2.8 billion, or 1.4 percent, in May to a yearly pace of \$205.7 billion. The rate was the highest since 1973 when a housing boom was in progress, a department official said.

Much of the credit for the improved outlook for the building industry has been given to sharp declines in interest rates in recent months.

Inflation-adjusted outlays in May were \$13.1 billion, or 6.8 percent, higher than in May 1984.

In April, outlays after inflation adjustment rose \$2 billion, or 1 percent, to \$202.9 billion.

The Commerce Department said that both public and private construction increased in May.

Spending on private construction in May was \$282.6 billion at an annual rate, compared with \$279 billion in April.

Within the private sector the department said nonresidential building outlays rose to an annual rate of \$92.3 billion in May from \$91.2 billion the previous month.

Residential building increased to \$146.8 billion from \$144.5 billion.

Spending on single-family homes remained essentially unchanged in a month-over-month comparison. But the value of construction on multifamily units, such as apartment buildings, rose 3 percent. Commerce Department officials reported.

In May, outlays for public construction rose to an annual \$61 billion from \$59.3 billion in April.

The biggest gain in the government area was a 15.9-percent increase in spending for conservation projects.

The value of federal government construction rose 11 percent, but there was virtually no change in the value of state and local construction spending. (Reuters, UPI, AP)

## Quebecor Escalates a War of Words

## Giant Publisher In Canada Is Not Done Growing

Douglas Martin

New York Times Service

**MONTREAL**, June 12 — Pierre Péladeau, principal owner, founder and chief executive of Quebecor Ltd., says his favorite novelist is Honoré de Balzac. He appreciates the way the French writer combined style, substance and sex appeal.

That makes sense to Roger D. Landry, publisher of *La Presse*, a French-language newspaper here that is fighting an uphill battle with Quebecor's *Le Journal de Montréal*. He calls *Le Journal* a mixture of "sex, sports and sensationalism," and likens Mr. Péladeau to Rupert Murdoch, the Australian publisher whose empire on four continents includes more than 80 newspapers and magazines, among them *The New York Post*, *The Chicago Sun-Times*, *The Star* in the United States and *The Times* of London. Mr. Murdoch's critics say he has turned many of his newspapers into tasteless publications with sensational headlines featuring sex, crime and gossip.

In fact, Mr. Péladeau admires Mr. Murdoch as "one hell of a tough guy" and is bent on duplicating his success.

In two decades since he founded *Le Journal*, Mr. Péladeau has used a Murdoch-like formula to make *Le Journal* the biggest newspaper in Montreal, the biggest French-language paper in Canada and the second biggest Canadian paper in any language, behind only *The Toronto Star*.

The competition in Montreal has been tough. In 1975, there were five French-language papers in the city and two in English. Now, there are three French and one English.

*Le Journal* is a tabloid in a market that traditionally has liked tabloids. Its staple is sports and local news. Crime rates extensive coverage, but there is very little sex in the newspaper.

The readership is solidly middle-class. Interestingly, *Le Journal* is trying to appeal to younger readers, devoting more and more

Pierre Péladeau is publisher of *Le Journal de Montréal*, Canada's biggest French-language newspaper.

space to features on cinema and other entertainment topics.

Charles Dubnar, *Le Journal's* director of research, said *Le Journal* prides itself on being a supplement to television, not an alternative. "We're a newspaper for people who watch television," he said.

Mr. Péladeau has built a business empire consisting of three daily newspapers, 33 regional weeklies, four sensationalist popular papers and several magazines. Quebecor Ltd. also pub-

(Continued on Page 9, Col. 1)

## Lufthansa to Buy 10 Boeing Jets, Seeks 10 Others

By Warren Getler

International Herald Tribune

FRANKFURT — Deutsche

Lufthansa AG, in its second major purchase of aircraft in two days, said Monday that it had placed orders for 10 Boeing 737-300 passenger planes and taken option on 10 more.

Delivery of the planes is scheduled to begin in August 1986, Lufthansa officials said.

The purchase agreement with Boeing Co., estimated by Lufthansa officials at \$300 million, includes the options, follows Saturday's signing of a major contract with Airbus Industrie for 22 planes at an estimated value of \$2 billion, again including the exercise of options.

The 737-300s will be powered by engines made by CFM International, a company jointly owned by General Electric Co. of the United States and France's Snecma.

Mr. Abraham said much of the financing of the orders would be done internally, made possible, he said, by "Lufthansa's maintaining a steady cash flow of about 1 billion Deutsche marks over the past few years."

Mr. Abraham said Lufthansa would use normal credit lines with commercial banks to help finance the purchases and added that the West German government, which holds a 49-percent interest, would not be involved in providing credit for the state airline.

Lufthansa's net profit soared 156 percent in 1984 to 165 million DM from 64.4 million DM the previous year, while revenue climbed 16 percent to 10.3 billion DM from 8.9 billion DM.

Mr. Abraham said about half the 737-300s were needed to meet growing demand, and the others were sought as part of Lufthansa's plans to provide more space and comfort in planes of that size. He said the seating capacity in Lufthansa's aging fleet of Boeing 737-200s was being reduced to provide more room for first-class and business-class travelers. To compensate for the reduction in seat capacity, Lufthansa is trying to buy planes of a similar type with more comfort.

Asked why Lufthansa passed up ordering Boeing's 150-seat plane that is highly favorable refinancing scheme, covering all major debt through 1987, he said the Reagan administration's approval.

That was expressed in U.S. Treasury approval for the guarantees from the World Bank for new private bank credits, clearing the way for approval by the bank steering committee of \$4.5 billion in refinancing over 12 years at slightly reduced interest rates.

The Boeing 150-seater is to be marketed by 1992, Boeing officials have said.

The Lufthansa official, who asked not to be named, said speculation that the West German government — which is providing subsidies for the development of the A-320 — may have influenced Lufthansa's decision to buy the Boeing's 150-seat plane has no basis.

The Reagan administration held up U.S. approval of the debt refinancing for nearly two months, insisting on termination of the state of siege, a form of martial law, that was imposed by the General Pinochet regime last November when there was an outbreak of terrorism.

## Chile Gets Bank-Loan Package of \$7.8 Billion

By Juan de Onis

Los Angeles Times Service

**SANTIAGO** — President Augusto Pinochet of Chile has approved a three-year "extended facility" from the International Monetary Fund, which has approved a Chilean austerity program.

The World Bank will provide a \$400 million "structural adjustment" loan to finance imports for investments that lead to new exports and will guarantee "co-financing" from private banks of \$1 billion.

Under the stabilization agreement signed with the IMF, Chile devalued the peso to 168.90 from 155.72 to the dollar and cut import duties to 20 percent from 30 percent. It had projected a trade surplus this year of \$1 billion, but the current monthly rate of exports would produce a trade surplus of only \$700 million in 1985.

General Pinochet, who led the military overthrow of the Salvador Allende's Marxist administration in 1973, is midway through an eight-year presidential term that will be followed by a \$750-

million, three-year "extended facility" from the International Monetary Fund, which has approved a Chilean austerity program.

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Another important trend was the heavy demand for dollar-denominated securities outside the United States.

Thus the Euromarkets flourished in the second quarter, making them increasingly important for corporate treasurers eager to raise capital and for underwriters eager to expand their business.

In the domestic market, Salomon Brothers hung onto the top spot among underwriters in the second quarter, with a 5.6 percent share of the market.

Analysts cited the continuing decline in interest rates as the principal factor behind the enormous volume of securities sent to the market. This led to a huge amount of debt securities offerings but a modest amount of common stock offerings, according to IDD Information Services.

IDD reported \$6.8 billion in domestic stock offerings last quarter, up from \$4.3 billion in the first quarter but still a modest sum, especially in light of the record levels of the U.S. stock market indices.

A sharp contrast was provided by the domestic fixed-income market, which saw \$24.9 billion in new offerings, compared with \$14.4 billion in the first three months of the year.

First Boston was second with 6.1 percent, followed by Salomon Brothers, which had 5.6 percent. Goldman, Sachs rose from fourth in the previous quarter to third. It managed 46 underwritings worth \$4.6 billion and was the leader in debt securities offerings but a modest amount of common stock offerings, according to IDD Information Services.

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| NYSE Most Actives |       |      |      |      |      |      |      |      |      |
|-------------------|-------|------|------|------|------|------|------|------|------|
| Vol.              | High  | Low  | Last | Chg. | Open | High | Low  | Last | Chg. |
| AT&T              | 244   | 236  | 236  | +1   | 236  | 236  | 236  | 236  | +1   |
| TIME              | 14772 | 3955 | 3955 | +1   | 3955 | 3955 | 3955 | 3955 | +1   |
| PEPSICO           | 12782 | 7654 | 7654 | +1   | 7654 | 7654 | 7654 | 7654 | +1   |
| Philip Morris     | 11788 | 1178 | 1178 | +1   | 1178 | 1178 | 1178 | 1178 | +1   |
| Alcoa             | 10625 | 499  | 499  | +1   | 499  | 499  | 499  | 499  | +1   |
| TELECOM           | 10625 | 2164 | 2164 | +1   | 2164 | 2164 | 2164 | 2164 | +1   |
| IBM               | 8888  | 27   | 27   | +1   | 27   | 27   | 27   | 27   | +1   |
| FATIGUE           | 7251  | 25   | 25   | +1   | 25   | 25   | 25   | 25   | +1   |
| Andrews           | 7251  | 25   | 25   | +1   | 25   | 25   | 25   | 25   | +1   |
| BellSouth         | 7013  | 21   | 21   | +1   | 21   | 21   | 21   | 21   | +1   |
| Wells             | 7013  | 21   | 21   | +1   | 21   | 21   | 21   | 21   | +1   |

| Dow Jones Averages |          |          |          |       |       |          |          |          |       |
|--------------------|----------|----------|----------|-------|-------|----------|----------|----------|-------|
| Vol.               | High     | Low      | Last     | Chg.  | Open  | High     | Low      | Last     | Chg.  |
| INDUSTRY           | 13244.81 | 13241.18 | 13235.25 | +1.14 | +1.14 | 13241.18 | 13235.25 | 13235.25 | +1.14 |
| UTIL               | 164.70   | 164.70   | 164.70   | +1.25 | +1.25 | 164.70   | 164.70   | 164.70   | +1.25 |
| COMP               | 551.87   | 551.87   | 551.87   | +1.25 | +1.25 | 551.87   | 551.87   | 551.87   | +1.25 |

| NYSE Diaries |       |      |       |      |      |      |      |      |      |
|--------------|-------|------|-------|------|------|------|------|------|------|
| Class        | Prev. | Buy  | Sales | Chg. | Open | High | Low  | Last | Chg. |
| Advanced     | 897   | 948  | 1145  | +149 | 948  | 1145 | 1145 | 1145 | +149 |
| Declined     | 431   | 431  | 541   | +110 | 431  | 541  | 541  | 541  | +110 |
| Total Issues | 2014  | 2007 | 2114  | +11  | 2007 | 2114 | 2114 | 2114 | +11  |
| New Highs    | 11    | 12   | 12    | +1   | 12   | 12   | 12   | 12   | +1   |
| New Lows     | 6     | 6    | 6     | +1   | 6    | 6    | 6    | 6    | +1   |

| NYSE Index  |        |        |        |       |          |        |        |        |       |
|-------------|--------|--------|--------|-------|----------|--------|--------|--------|-------|
| Open        | High   | Low    | Last   | Chg.  | Previous | Open   | High   | Last   | Chg.  |
| Composite   | 111.11 | 111.11 | 111.11 | +0.00 | +0.00    | 111.11 | 111.11 | 111.11 | +0.00 |
| Industrials | 112.53 | 112.53 | 112.53 | +0.00 | +0.00    | 112.53 | 112.53 | 112.53 | +0.00 |
| Trans.      | 112.97 | 112.97 | 112.97 | +0.00 | +0.00    | 112.97 | 112.97 | 112.97 | +0.00 |
| Utilities   | 113.71 | 113.71 | 113.71 | +0.00 | +0.00    | 113.71 | 113.71 | 113.71 | +0.00 |
| Finance     | 119.81 | 119.81 | 119.81 | +0.00 | +0.00    | 119.81 | 119.81 | 119.81 | +0.00 |

| Monday's NYSE Closing |                   |             |             |             |             |             |             |             |             |
|-----------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Vol. at 3 P.M.        | Prev. 3 P.M. vol. | Buy         | Sales       | Chg.        | Open        | High        | Low         | Last        | Chg.        |
| 74,046,000            | 64,760,000        | 74,046,000  | 64,760,000  | +9,286,000  | 64,760,000  | 74,046,000  | 64,760,000  | 74,046,000  | +9,286,000  |
| Prev. 3 P.M. vol.     | Buy               | Sales       | Chg.        | Open        | High        | Low         | Last        | Chg.        |             |
| 125,220,430           | 114,711,000       | 125,220,430 | 114,711,000 | +10,510,430 | 114,711,000 | 125,220,430 | 114,711,000 | 125,220,430 | +10,510,430 |

| Odd-Lot Trading in N.Y. |         |         |         |      |         |         |         |         |      |
|-------------------------|---------|---------|---------|------|---------|---------|---------|---------|------|
| Vol.                    | High    | Low     | Last    | Chg. | Open    | High    | Low     | Last    | Chg. |
| June 29                 | 114,552 | 114,552 | 114,552 | +1   | 114,552 | 114,552 | 114,552 | 114,552 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,081 | +1   | 412,081 | 412,081 | 412,081 | 412,081 | +1   |
| June 29                 | 114,578 | 114,578 | 114,578 | +1   | 114,578 | 114,578 | 114,578 | 114,578 | +1   |
| June 29                 | 412,081 | 412,081 | 412,08  |      |         |         |         |         |      |

## BUSINESS ROUNDUP

## Thorn Sees Lower Profit; Chairman Resigns

**Reuters**  
DETROIT — Thorn EMI PLC gave on Monday an unexpected preview of its results scheduled to be released Friday, saying that profit for the 1984-85 year was lower than in the previous year.

Thorn also announced that its chairman, Peter Lester, had resigned. The statement gave no reason, but industry sources ascribed his departure to the company's problems.

Thorn said profits for the year ended March 31 were lower than the previous year, although the final dividend would be held unchanged.

Thorn had pretax profits of £156.8 million (\$203 million) on revenue of £2.82 billion in the year ending March 31, 1984. Its full dividend was 17.5 pence (22.75 cents).

Analysts were expecting reduced pretax profits at Thorn for the 1984-85 year, probably £120 million to £137 million.

The Friday publication date for the annual figures had been moved up from July 11 in view of turmoil in the British stock market. Worsening markets, capacity-cutting mergers and rumors of boardroom dissent have all dented investor confidence in the electronics sector.

Thorn shares were quoted Monday at 371 pence, up from 357 pence late Friday, in response to the latest statement.

Thorn's share price hit a low of 345 pence last week, down from the 1985 high of 484 pence.

Thorn's statement blamed the profit decline on depressed trading conditions and difficulties at Thorn EMI Ferguson, a consumer-electronics subsidiary, and the Immos microchip unit.

Ferguson is already restructuring and urgent measures are being taken to improve Immos's performance, Thorn said.

Thorn said it was cutting the work force at Ferguson by 490. When added to the voluntary layoffs and cut by attrition, the new cut would result in job reductions of 1,000 out of a work force of around 6,000.

Referring to Immos, in which it bought a 76-percent stake from the British government for £95 million a year ago, Thorn said the worldwide recession in the semiconductor industry had resulted in oversupply and a fall in prices.

Thorn said two executives, Richard Peirce and John Heagney, had been relieved of their duties at Immos.

## Quebecor Is Escalating Canada's War of Words

**(Continued from Page 7)**  
ishes and distributes books and records, owns and operates 13 printing plants and owns 24 photographic supply stores.

Among Quebecor's three principal areas of business, some 44 percent of revenues last year came from publishing, 24 percent from printing and 32 percent from distribution.

For the year ended Sept. 30, net income jumped nearly 50 percent, to \$8.3 million, on sales of \$203.6 million. For the first six months of this year, net income was up by nearly two-thirds, to \$4.6 million.

All this is appreciated on the Montreal, Toronto and U.S. stock exchanges where Quebecor shares are traded. After reflecting a two-for-one stock split in February and a three-for-one split approved by shareholders June 11, investors could have about doubled their money over the past two years.

And that appears to be just the beginning. "We're in the market for a Canadian daily, an American daily and a French daily — we're in the market for a lot of things," Mr. Peladeau said. Although most acquisitions are considerably smaller — a rural weekly, say, rather than a big-city daily — Quebecor has been recently making about one acquisition a month.

If the price were right, Mr. Peladeau said, he would be interested in buying either the New York Post or the Chicago Sun Times from Mr. Murdoch, who is expected to sell both newspapers because of his deal to purchase the largest group of independent television stations in the United States from Metromedia Inc. for more than \$2 billion. A federal regulation generally bars a newspaper owner from owning more than 5 percent of a broadcast station in the same city, and two of the stations in the Metromedia deal are in Chicago and New York.

Mr. Peladeau is also considering establishing a daily sports newspaper in Philadelphia, Boston or Detroit, perhaps expanding to a national sports daily along the pattern of the *Gannett* chain's USA Today.

"He's pretty well saturated the Quebec market," said David Schulman, senior analyst with the Montreal securities firm of Geoffnot.

## Ford Sees 'No Evidence' Of Recovery in Europe

**Reuters**

DETROIT — Ford Motor Co. has high hopes for increased profits from Europe, but 1985 has not proven to be the year that the company's executives, including its chairman, Donald Petersen, were hoping for.

In an interview, Mr. Petersen, who became chief executive last winter after five years as president, said 1985 had brought "no evidence of good strong recovery that everyone is waiting for" in Europe. He said the overall trend for Europe's motor industry remains one of intense competition, excess production capacity and heavy spending by companies to bolster their market share.

About the only bright spot is that the turmoil in West Germany's industry early this year on emission-control standards seems to be over.

Ford's ability to improve its profitability in Europe, the company's second-most-important market, remains "very much in question at this point," Mr. Petersen said.

But he added that given the industry's problems, he was "rather pleased with the pattern of our performance and results in Europe so far this year."

The company's major strength continues to be North America, but Ford believes its extensive international operations eventually can become significant profit centers again.

Mr. Petersen said Ford, the world's second-largest auto manufacturer with operations in 26 countries outside North America, still suffered from the industry's problems in Europe and Latin America, where profits have been weakening for the past few years.

Ford last year earned record profits of \$2.9 billion, but less than 7 percent of it came from its subsidiaries outside North America.

Europe, where Ford took leadership in car sales for the first time, accounted for 16 percent of the company's worldwide sales of \$52.4 billion but only 5 percent of profits.

That was a reverse of the company's position of a few years ago, when Europe was offsetting Ford's multibillion-dollar losses in North America.

"We think we've proved with our past track record we know how to make money better than anybody else does in that market and we'll be making good money there in the future," Mr. Petersen said.

The European car market, where six major competitors are vying, appears headed for sales of just under 10 million units in 1985, he said, slightly less than 1984.



Donald Petersen

## GE Reaches Tentative Pact With 2 Unions

**The Associated Press**

NEW YORK — A tentative settlement between General Electric and two unions representing 55,000 workers was reached Sunday, just two hours before the contract was to expire at midnight.

Neither management nor the unions would disclose details of the three-year contract, pending ratification by the unions' full negotiating committees, which were to meet Monday. The proposal must also be approved by the unions' conference board and by the full membership.

Last Saturday night when negotiations ended for the day, a union spokesman said there was "still a long way to go." Talks resumed at 10:30 Sunday morning and continued until late in the evening.

William Bywater, president of the International Union of Electronic Workers, representing the unions involved in the talks, has said job security, improvements in the cost of living formula, a general wage increase and early retirement were the main issues in the talks.

William Angel, GE's chief negotiator, has said "the future competitiveness of GE's diverse business" was management's key issue.

Three years ago, a tentative settlement was reached less than 12 hours before the deadline, giving workers a 20-percent increase in wages.

The IUE is the largest of the unions bargaining with GE, representing 47,300 workers. The United Electrical, Radio and Machine Workers union has 8,600 GE employees.

The two unions have been jointly negotiating with the company since May 14.

Ten other unions representing 33,000 GE workers were also involved in the talks, although only two national contracts will emerge. The IUE and UE contracts, usually identical, are the framework for 100 local contracts.

Abu Dhabi Cuts Oil Output

**Reuters**

ABU DHABI — Abu Dhabi, the main producer in the United Arab Emirates, reduced its output of crude oil in June to close to its OPEC quota of 950,000 barrels a day from earlier levels of 1.1 million, industry sources said Monday.

Operations quickly and efficiently, citing the Philadelphia paper and a photo-finishing business as examples.

Much of Quebecor's success has come at the expense of La Presse.

"It's a much improved situation," said Michel Perrault, an analyst at Alfred Bumag & Company in Montreal. He particularly applauds what he sees as a new ability by Quebecor to shed money-losing publications for others, including *Le Droit*.

"We have the means, the contacts, the money and whatever is necessary," said André Gourde, the Quebecor corporate secretary who is setting up the new subsidiary, Quebecor America Inc. "We are on the acquisition trail."

Quebecor hopes it has better luck than the last time it tried to crack the U.S. market. In 1977, it started the Philadelphia Journal, a splashy, colorful tabloid that died four years later, the victim of labor strife and lack of advertising. Quebecor lost \$15 million in Philadelphia.

Mr. Peladeau said that through experience he "earned the most expensive M.B.A. in the United States." Analysts think part of the lesson is that next time Quebecor should buy an existing big-city newspaper property, rather than starting from scratch.

But only if the price is right.

"I won't make a move until I have the price I want," said Mr. Peladeau, who owns 54 percent of Quebecor.

Indeed, he appears to have shied the imputations that used to characterize his decision-making without sacrificing his hitherto personal charm. He gives business associates free rein, is less of what he terms a "super hustler" and claims to get "more action" as a result.

Mr. Peladeau, 60, began his rise

in 1950 with the purchase of a neighborhood weekly in Montreal. A French Canadian, he bought his own plant in the 1950s when he was having trouble finding people to print his paper.

Quebecor's success has come at the expense of La Presse.

Mr. Peladeau started La Journal in 1964 during a bitter strike at the rival paper. In 1978, another strike at La Presse enabled him to surpass the 101-year-old broadsheet in circulation.

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## Small Dairymen Fear U.S. Price Cuts Lower Milk Supports Could Ruin Family Farms

By Steven Greenhouse

New York Times Service

**LAKE MILLS, Wisconsin** — Gary Magnusson, never a shikker, starts milking cows at 5 A.M. and labors until the sun goes down. Yet he fears that long hours and hard work may not be enough to hold onto his dairy farm.

Mr. Magnusson — who has 50 cows, one fewer than the average for the 17,500 dairy farms in the United States — fears that declining milk prices and lower dairy price supports will rob him of his farm. The Reagan administration, inspired by a free-market philosophy and appalled by the cost of price supports, is pushing hard to slash this subsidy for dairy farmers.

"The administration's proposal will drive a lot of farmers under," Mr. Magnusson predicted, "and I'll go right with them." His 347-acre (140.3-hectare) farm is in the south central part of Wisconsin, the leading U.S. dairy state.

At the moment, Mr. Magnusson and other dairy farmers have more than one worry. First, the federal government's price supports on Monday by 50 cents per hundred pounds (45 kilograms) of milk — a move that will reduce each U.S. dairy farmer's income by thousands of dollars a year. And beyond that, the farm bill being heavily debated in Washington may lower price supports even further.

Many experts say that Mr. Magnusson's worries are well founded. They predict that the price drop and a new farm bill would accelerate the steady erosion in the number of dairy farms. Indeed, some economists forecast, one out of six dairy farmers will be forced out of business by 1990.

Replacing them, the dairy experts say, will be an increasing number of huge dairy farms — "farm factories," as they are called — that have sophisticated management and more than 1,000 cows.

The farm bill may also change the character of entire regions. It could speed the industry's slow but persistent shift away from family-sized farms in the Middle West and Northeast to California and Southwestern states, where farms with 2,000 cows are not uncommon.

The administration's proposal is intended to reduce government intervention in agriculture and slash the government spending that supports dairy prices. Opposing it is the National Milk Producers Federation, which asserts that generous price supports are needed to stabilize the price and supply of milk and to preserve the family farm.

The federation, which represents 120,000 dairy farmers, is lobbying hard against the administration's proposal. Many Washington people predict a tough battle in Congress, but also predict that the powerful federation will win legislation far more to its liking.

"Dairy farmers," Mr. Novakovic, a professor of agricultural economics at Cornell University, said a drop in dairy price supports would likely turn small and medium-sized farms more than large ones because larger farms can usually produce milk more cheaply.

"Dairy farmers," Mr. Novakovic, said, "are seeing that it helps to have more cows because that enables them to generate enough income to hire labor. This in turn allows them to focus more on managing their farms." Cows are far more productive when farmers can focus on scientific breeding and feeding techniques.

In proposing to lower dairy price supports and eliminate them by the end of the decade, the Reagan administration has made clear that it wants current dairy legislation has given the United States more dairy farmers and milk cows than it needs.

Under that legislation, which expires Oct. 1, the federal price support level until Monday was \$12.10 a hundred pounds of milk — meaning that the federal government bought enough cheese and other milk products to make sure that dairy prices remained at or above \$12.10 for the farmer. This meant the farmer received 12.1 cents a pound of milk, or about 26 cents a quart.

In the fiscal year ended last Sept. 30, the government spent \$1.6 billion to remove the equivalent of 10.4 billion pounds of milk from the market. Much of what it buys goes to the military, but Washington also gives much away as cheese.

On Monday, the support dropped to \$11.60, and agricultural economists say that the administration's farm bill would likely result in a support as much as \$2 below that.

In dairy, as in other farming, John R. Block, the secretary of agriculture, is trying to reduce federal intervention and let the free market determine price and supply. "We need to move the price support level down to a point where

cause he is carrying over \$300,000 in debt.

"I'm one of those operators with a borrowed money," said Mr. Magnusson, who bought his farm in 1978. "It's just hanging on."

Indeed, Professor Robert A. Cropp, a dairy marketing specialist at the University of Wisconsin in Platteville, said so many dairy farmers were just hanging on that 30 percent of them could disappear by 1995. "A large number of small farms will go out of existence, and the average farm size will go up," Mr. Cropp said. "If the dairy bill drops the support price substantially, then the number of dairy farms, especially small ones, would decline much more rapidly."

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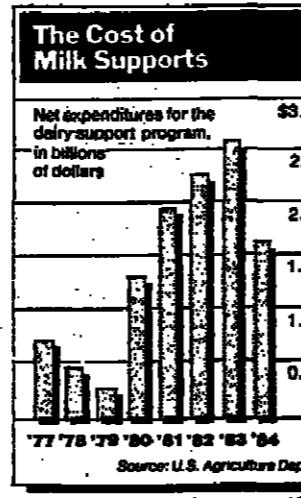
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What also happened was that as corn and soybean farmers and cattle ranchers fell into crisis in recent years, many turned to dairy farming, which, thanks to the price supports, was more lucrative.

The number of cows, which had dropped steadily from 25 million in 1940, started rising again. It jumped from 10.7 million in 1979 to 11.1 million in 1983. That rise, together with greater productivity per cow, pushed the U.S. dairy surplus up dramatically — from 1.1 billion pounds in 1979 to 10.4 billion pounds last year. That surplus was 8 percent of the 13.4 billion pounds of milk produced across the United States last year. The 1984 surplus, big as it was, was actually smaller than the 16.4 billion pounds the year before. The decline reflected a 2.5 percent increase in consumption and a drop in production caused by a farmer-supported diversion program that paid people to take their dairy cows out of production.

"There's a need to get the dairy surplus problem under control," Mr. Gaibler said. "It's costing the taxpayers several billion in outlays."

Mr. Gaibler said an unforeseen result of the 1977 changes in the price support program was that federal dairy spending swelled to \$2.6 billion in 1982, before sliding to \$1.6 billion last year. He also criticized the dairy program for helping the least efficient dairy farmers survive.



N.Y.T.

supply and demand will come into balance," said Floyd D. Gaibler, a special assistant to Mr. Block.

In the view of Mr. Gaibler and many agricultural economists, the surplus problem began in 1977, when dairy lobbyists — always generous campaign contributors — helped persuade Congress to increase dairy price supports to high levels. "As a result," Mr. Gaibler said, "more resources were put into dairy production, not only from within the dairy industry but from outside agriculture. You would see newspaper advertisements by conglomerates that had dairy cows to lease. It encouraged excess resources in the industry."

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## Suits Under Racketeer Law Upheld

WASHINGTON — The U.S. Supreme Court on Monday upheld a right to file private lawsuits under the Racketeer Influenced and Corrupt Organizations Act, a law aimed at "eradicating" organized crime in the United States.

It is not unusual these days to find at least one "RICO" claim in lawsuits involving business disputes. The stigma attached to being linked to documents is to be powerful leverage for out-of-court settlements.

The court, which upheld the right in a 5-4 vote, had been urged by numerous business organizations to narrow the scope of the federal law.

The law bars "any person employed or associated with any enterprise" in interstate or foreign commerce "to participate in a pattern of racketeering activity." Pattern of racketeering amounts to two or more acts from a long list of crimes that include violating certain state laws, federal securities laws and federal mail and wire frauds.

The appeals court imposed on RICO civil suits two limitations: No RICO civil suit may be filed against someone who has not been criminally convicted, and those who sue under the RICO civil provisions must show a "racketeering injury" in addition to showing they were victims of a specific crime, such as fraud.

On Monday, the Supreme Court overturned the 2d Circuit's Court ruling.

Writing for the court, Justice Byron R. White acknowledged that

## Surpluses Dim Futures Trade

(Continued from Page 7)  
ham Lambert, Chicago, finds little to cheer in his markets. "Genetic engineering is producing heavier and leaner cattle and hogs, while consumers continue to favor poultry," he said.

The same gloom pervades the precious and base metals futures markets, where Bette Raptopoulos, Prudential-Bache Securities metals expert, also finds output far exceeding demand.

She noted that last Thursday, the stocks of silver, an industrial as well as a speculative investment, were at a record 132.9 million ounces on New York's Commodity Exchange. "This tells us," she said, "that dealers can't find buyers and are regaining their inventories with the Comex in order to sell futures against them as a means of picking up some of the cost of financing their metal."

Copper, once the bellwether industrial metal, is also going begging, she said, as supplies from the poorer lands are far above demand from a shrinking U.S. domestic industrial base.

The lead case used by the Supreme Court involved a lawsuit filed by Sedima, a Belgian corporation against Imex Co. of New York over alleged fraud in a joint venture to provide electronic component parts for a North Atlantic Treaty Organization subcontractor.

The lawsuit was filed by commercial borrowers who said they were defrauded in the bank's calculation of the prime rate they were to be charged.

On Monday, the Supreme Court overruled the 2d Circuit's Court ruling.

Writing for the court, Justice By-

ron R. White wrote Chief Justice Warren E. Burger and Justices William H. Rehnquist, John Paul Stevens and Sandra Day O'Connor.

Justices Thurgood Marshall, William J. Brennan, Harry A. Blackmun and Lewis F. Powell dissented.

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## ART BUCHWALD

## Angst at Wimbledon

**WASHINGTON** — Charlton Heston told The Daily Mail in London last week that he would not sit in the royal box at Wimbledon this year because he was afraid that John McEnroe might embarrass him. "I do not want to sit... and risk the embarrassment, as an American, of seeing an American disgrace his country."

I know exactly what Chuck is talking about. I've turned down invitations to sit in the royal box for several years because I was afraid McEnroe might do something to make me terribly ashamed.

It was a great sacrifice for me, because that's the only place I enjoy watching the matches on center court.

I recall the last time I sat there. I was squeezed between Queen Elizabeth and Prince Philip. Seated in front of me were Lady Di and Prince Charles and Princess Anne. Behind me were the Duke and Duchess of Kent.

We were laughing and joking, as one always does in the royal box, when McEnroe came on the court. I stiffened measurably as McEnroe gave the drinking fountain a good kick. It was going to be a long afternoon.

No sooner had play commenced when John complained that the ball boys were not retrieving his tennis balls fast enough.

The queen turned to me and said, "A fellow countryman?"

I smiled. "Not really. Your Majesty. He's from Long Island."

A few points later McEnroe grabbed a photographer's hat and pulled Schweppe's tonic all over it.

It was either the Duke of Kent or Prince Philip who said, "The chap has a lot of spunk."

**Panda Twin Dies in Mexico**

*The Associated Press*

**MEXICO CITY** — The smaller of twin pandas born last week at the Chapultepec Zoo has died. It had been ignored by its mother, the zoo's administrator said.

I wanted to crawl under my chair.

With the set 6-all and a key point at stake, McEnroe launched into a vicious verbal assault on a lady linesman at our end of the court. He used words never uttered at Buckingham Palace.

Red-faced, I turned to Queen Elizabeth and said, "Do you want me to leave?" She smiled and patted my hand gently. "You can't be responsible for what another American player does. I recall when you played Wimbledon. Your manners were impeccable."

"I was representing my country. In those days we left the line calls to the officials."

We were into the second set when McEnroe approached the umpire's chair and started what could charitably be described at Wimbledon as a "heated discussion."

Lady Di put her hands over her ears as Prince Charles tried to console her. "It's going to be all right, my dear. The man is just trying to psych himself up."

Then Prince Charles turned to me and said apologetically, "I don't know why women insist on coming to Wimbledon when they know tennis, as played by Americans, is a very bloody sport."

Having lost his argument, McEnroe went over to a bench, picked up an equipment bag and started to slam it against the umpire's chair.

The queen said to me, "Would you care for some tea?"

I was dying inside. "Lemon and one lump of sugar, please."

The Duke of Kent squeezed my shoulder. "I once knew a Yank who destroyed his metal locker with his racket. Except for that he was quite a relaxed player."

It was toward the end of the match that McEnroe, having double-faulted three times in a row, started to deliberately smash balls at our box.

This was too much for me, and as the royal family ducked under their seats, I left the box in shame and disgust, never to return again.

Chuck, you can take it from somebody who has been there. Even if you now have a lousy seat, you did the right thing.

## For Guitars, the Shape of the Future

By Bob Baker  
*Los Angeles Times Service*

**SANTA MONICA**, California — Hoy Axton, the prototypical big-bellied, hard-living country-western singer leavened on a small workbench and eyed Danny Ferrington, who is a half-foot shorter and a hundred pounds lighter.

"You know," Axton said in his deep, slow Oklahoma way, "you're the most expensive male friend I've got."

Ferrington laughed. He can afford to. People like Axton pay him thousands of dollars to do what he has always dreamed of doing.

There he sits inside a second-floor loft in an industrial section of Santa Monica, a Los Angeles suburb, burying himself in an intimate dialogue with slabs of spruce and rosewood.

Ferrington, an enthusiastic, irreverent man who says his goal is to be the Calvin Klein of guitars, is establishing himself as designer for some of the more adventurous stars of rock and country music.

For \$2,000 to \$3,000, he crafts instruments whose design shatters the mold of centuries.

Traditional, comfortable curves are replaced by jarring angles and unexpected twists. The color may be determined by something as whimsical as a singer's favorite lipstick. The wood may be chiseled, lacquered and painted to resemble the jagged frame of the acoustic guitar's bitter rival, the electric guitar.

Traditional, comfortable curves are replaced by jarring angles and unexpected twists. The color may be determined by something as whimsical as a singer's favorite lipstick. The wood may be chiseled, lacquered and painted to resemble the jagged frame of the acoustic guitar's bitter rival, the electric guitar.

"Well, it did at the time," Axton said. "I can't remember what it was."

Ferrington, 32, the son of a Louisiana cabinet-shop owner, grew up enamored of woodworking and guitars, spent five years refining his trade in a well-known Nashville guitar repair shop and went to Los Angeles in 1980 to open his own business.

Long before he arrived, he said, he had grown bored with the look of the acoustic guitar. He wanted to tinker with its symmetry and its bland blandness. He wanted to make weird shapes.

"The craft of the guitar has sort of been frozen," he said. "It just doesn't seem that there've been acoustic guitars that are keeping up with the fashions and the trends."

Ferrington's flamboyant design is creating a "new aesthetic" in guitar-making, according to Tom Wheeler, editor of *Guitar Player* magazine, who added that the tonal quality of Ferrington's instruments was as highly regarded as their look.

Ferrington shares a house with the singer Linda Ronstadt, whom



Danny Ferrington with individualized guitar frames.

"an anatomically correct albino buffalo."

The buffalo must have had deep symbolic meaning, a visitor suggested recently when Axton came from Lake Tahoe, Nevada, to see Ferrington.

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Ferrington's workshop is part of the

second floor of an automotive paint shop. You get to it through a twisted stairway-and-corridor journey that is blocked off when the shop is closed. So when he wants to work odd hours, Ferrington hauls his compact frame up a rope dangling from his workshop.

Inside, Ferrington walks over to where a couple of dozen uniquely shaped guitar body frames are hung.

"That's the one I made for the kid with Van Halen," he said.

"This is J. D. Souther, that's a bass for Elvis Costello over there, that one's for Stephen Bishop, there's Richard Thompson, Nick Lowe, Carlene Carter, that's for the Cars."

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## PEOPLE

## Von Karajan at Vatican

Herbert von Karajan, the Vienna Philharmonic and two choirs joined Pope John Paul II in a performance of Mozart's "Coronation Mass" in St. Peter's Basilica to mark the Feast of SS Peter and Paul. Vatican sources said it was the first time in memory that musicians of such renown had joined with a pope in celebrating Mass at St. Peter's. The 77-year-old Austrian conductor, music director of the Berlin Philharmonic, suggested the musical Mass to the pope during John Paul's visit to Austria in September 1983. Joining the Vienna Philharmonic were the American soprano Kathleen Battle, the West German mezzo-soprano Trudeau Liesel Schmidt, the Swedish tenor Gosta Winbergh, the Italian bass Ferruccio Furlanetto, the orchestra's choir and the Sistine Chapel Choir.

Those attending the service included the *Fiat auto magnate* Gianni Agnelli, the fashion designer Valentino and the Aga Khan.

newspaper *The Mirror* and 25,000 according to the rival *Daily Mail*.

The tabloids said that while Charles was playing polo at Windsor, the ring was presented to his wife there by Louis Gerstl, 62, a jeweler with businesses in London, Paris and Geneva, who sponsored the polo match. Diana's acceptance "may have broken Buckingham Palace protocol," *The Mirror* reported.

The weekly magazine *Paris Match* says the Greek shipping heiress Christina Onassis and her husband, the French businessman Thierry Rousset, met with its reporters at their Swiss country home to deny rumors of a breakdown. Four hours later, according to the magazine, Rousset announced his intention to seek a divorce. The couple were married in March 1984, and last January they had a daughter, Athina. The singer Marie Osmond has announced that she is ending her three-year marriage to Steven Craig. They have a 2-year-old son, Steven.

"The Martin," he said, referring to the brand regarded as the classic of acoustic guitars, "is a wonderful guitar, but I see it more like a lute."

"The construction and design process takes about four weeks. Ferrington confers with a client and traces a frame that fits the buyer's technical desires and fashion preferences, hoping to capture the essence of the performer."

"It's exciting to sit down with someone and not know what you're gonna come up with, a completely unique instrument that never existed before. When you confront a guitar player, they all have ideas, but they're hesitant about asking me, 'cause they think I'm gonna laugh at them."

"I've played so many guitars and listened to so many guitar players — that's where I've learned so much from, trying to pore in there and get certain adjectives from them, about what kind of sound they're trying to get, trying to get them to impart a little bit of what they know."

Developing the critical relationships that determine the instrument's quality and tone — the thickness of the sides, the thickness of the top, the dimensions of the braces — is largely intuitive, Ferrington said.

"That's just where good sculpture and good art come together. It's one of those things like walking, where you don't think about it. You develop certain instincts. You can't tell Willen de Kooning where to put a big blue swipe. He just puts it there."

Yul Brynner brought down the curtain in New York on Sunday night on his reign as the king of Siam after more than 4,600 career performances in "The King and I," ending a revival that broke attendance and box office records. The musical was written by Richard Rodgers and Oscar Hammerstein II for Gertrude Lawrence, who originated the role of the British teacher Anna Leonowens in the 1951 production with Brynner. The actor, who will be 68 on July 11, was battling lung cancer when he took on the role again in a national tour that began in February 1981. He has said he will now return to his chateau in France.

Fire fighters have to rescue people from a lot of tight spots: Liz Villagomez, 26, of San Jose, California, was trying on a pair of designer jeans when the zipper snagged. After a long struggle, called the fire department. A department spokesman said Captain Bob Edwards grabbed a pair of surgical scissors and responded with two other fire fighters. It took him 20 minutes to remove the zipper, tooth by tooth.

Diana, Princess of Wales, turned 24 Monday and found herself in a public controversy over an expensive ring that she didn't get from Prince Charles. The gold ring, encrusted with diamonds, is worth £10,000 (\$13,000) according to the

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